

Computers In Business

SECTION 4

Stock Market Activities

Stock Market Terminology
Standard 0000-04
Objective 0401 & 0402 & 0403

OVERVIEW: The students will learn basic stock market terminology

ACTIVITIES:

- The teacher will discuss the stock market terminology on the following page asking for students to give examples of each during the discussion.
- Students will make flash cards with the words on one side and definitions on the other side.
- Using the flash cards, students will quiz each other until each student can remember the definition for each term.
- EXTRA IDEAS:
 - Play jeopardy using the terms and definitions.
 - Play bingo by placing the terms on the card and calling out the definitions.

STOCK MARKET TERMINOLOGY

Sole Proprietorship:	A business owned by one person.
Partnership:	An association of two or more people operating a business as co-owners and sharing profits or losses according to a written agreement.
Corporations:	A business made up of a number of owners but authorized by law to act as a single person.
Stock:	Shares in the ownership of a corporation.
Stock Market:	Place where stocks and bonds are regularly bought and sold. (Same as Stock Exchange)
Stockbroker:	A licensed specialist who helps investors buy and sell stocks and bonds.
Commission:	A fee charged by brokers for their services.
Stock Exchange:	Place where stocks and bonds are regularly bought and sold. (Same as Stock Market)
Shareholders:	People who own stock in a corporation.
Dividends:	The part of the profits of a corporation that each shareholder receives.
Bull Market:	A phrase which means the stock market is going up.
Bear Market:	A phrase which means the stock market is going down.

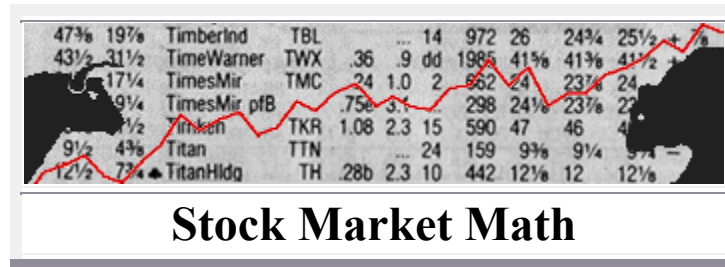
Reading Stock Quotes
Standard 0000-04
Objective 0404 & 0405

OVERVIEW: The students will learn how to read stock quotes.

ACTIVITIES:

- Do the “Stock Market Math” activities on the following pages.

NOTE: This lesson can be found at the following web site:
<http://archive.ncsa.uiuc.edu/edu/RSE/RSEyellow/stockmarketmath.html>



The following lesson includes various concepts which are used when trading on the stock market. This lesson should be thought of as a mini-unit in the sense that it will take more than one day to complete. These concepts are so inter-related when working in the context of the stock market that they should be used in conjunction with one another rather than being taught separately.

Objectives:

1. Students will be able to calculate commission for a stock transaction through a broker using the relationship between percentages and decimals.
2. Students will be able to decide which stocks are preferable based on the price to earnings ratios listed on the stock market quotes.
3. Students will be able to use fractions and decimals to calculate the cost to buy or sell various stocks using the stock market quotes high and low listings.
4. Students will be able to use the stock market quote change column and their knowledge of the positive and negative sign to decide which stocks are looking promising.

Materials:

1. Either copies of one page of the NY Stock Exchange from the Wall Street Journal per student or a copy of the NYSE worksheet per student. (attached)
2. Pencil.
3. Paper.
4. Overhead or Chalkboard

Connection to the Curriculum:

This lesson will tie in the following math concepts which are studied during the middle school years: percentages, decimals, fractions, ratios, probability, positive and negative numbers, problem solving using some pre algebra concepts.

Procedure:

1. Ask the students what they know about the stock market. What is it? Why do people invest their money in it? How does it relate to or effect the nations economy? Does anyone know any history of the stock market?
2. After instigating some discussion about the market, handout the NYSE sheet or a page from the Wall Street Journal to each student.
3. As a class look at the various columns and ask for any input about what is listed in the various columns. Let the students explain all they know about the different aspects of the stock market before analyzing the columns. There is a definition for each column listed on our definition page.
4. Choose a stock from the NYSE page and as a class go through how one would figure out what the various columns mean for 100 shares of the stock chosen by the class. (Let the students use the new information as to what the columns stand for to figure out as much as possible about the chosen stock, on their own.) Below is an example:

Say I chose the stock Tribune which has the following vital signs:

Sym: TRB

Div: 1.12

%: 1.8

PE: 16

Vol. 100s: 217

Hi: 61 $\frac{1}{8}$

Lo: 60 $\frac{5}{8}$

Close: 60 $\frac{3}{4}$

Net Chg: - $\frac{5}{8}$

I want to buy 100 shares of TRB at the Lo. So I then multiply the low price of 60 $\frac{5}{8}$ by 100. This will give the cost. I want to sell 100 shares of TRB at the Hi. So I multiply the high price of 61 $\frac{1}{8}$ by 100. If I want to research TRB before I decide to invest in it, then I would use the PE number and the Net Chg which both tell me a little about the background of the stock. If I already own 100 shares of TRB and the company is now paying out dividends, then I can figure out how much I should get by multiplying 100 by the Div. number or multiplying 100 by the % number changed into a decimal.

(I encourage you to use this as a reference for you as the teacher, not as a teaching example. The students should examine the meanings of the columns, then using that knowledge should calculate the different amounts.)

5. Now let the students work with others to analyze the stocks listed on this page and to go through the questions.

Evaluation:

The students should research various stocks and choose 5 of the stocks in which to invest. Before the students create their portfolio journal, they need to have sufficient research information to be able to show why they are investing in the stocks they choose to invest in. Then they should create a portfolio journal in order to enter their stock data. We have included a format in which the students can use to chart the data. Then students should use the data to create graphs and compare the stocks to each other or to other people's stock or to the S&P 500. By doing this, the students may be able to estimate more accurately when it is profitable to sell and buy. At the end of the unit, students should be able to show the class how the stocks they invested in performed, why they sold any stocks they may have sold, what they would have done differently in the future and what they now know about the stock market that they didn't know at the beginning of the unit.

Name _____

Period _____

Below is a copy of a page out of the Wall Street Journal. NYSE stands for the New York Stock Exchange. This page lists the first few stocks along with their Hi's, Lo's, Yields, and Dividends. After studying the columns and deciphering what the columns stand for figure out the questions at the bottom of the page.

NYSE

52 weeks							Yld.		Vol.			
Net												
Hi	Lo	Stock	Sym	Div	%	PE	100s	Hi	Lo	Close		
Chg												
-A-A-A-												
151/2	12	ABC Bcp ABCB		.40		2.6	...		16	151/2		
151/2	151/2	...										
275/8	181/4	ABC Railpdt	ABCR					...	22	315		
231/2	223/4	233/8	+3/8									
31	107/8	ABR InfoSvc	ABRX					...	52	3		
291/2	29	29	-1/2									
141/2	101/2	ABS Ind	ABSI			.20	1.7	12	17	113/4		
111/4	113/4	+1/4										
24	117/8	ABT BldgPdt	ABTC							10	28	
173/4	171/2	173/4	...									
193/4	123/4	ACC	ACCC			.12	.8	dd	337	15		
141/2	147/8	+1/8										
221/2	153/4	ACT Netwk	ANET					187		
171/4	167/8	167/8	-3/8									
443/4	311/4	ACX Tch	ACXT					...	22	18		
413/4	41	41	-3/4									

Questions:

1. Figure out the following aspects of the stock ABSI if you have bought 100 shares:

a) Dividend :

b) Percentage Yield

c) How many shares were transacted during the day:

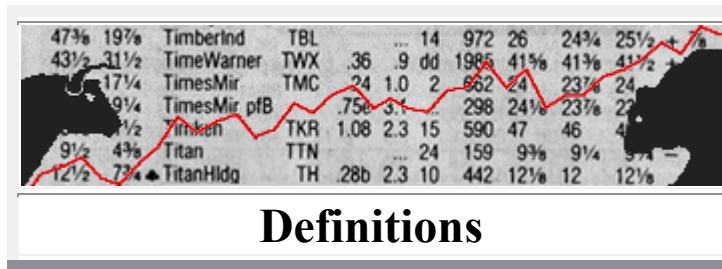
d) If you bought the stock at it's low, how much did you buy your

100 sh

2. It is favorable to have a PE rating that is low. From what we have discussed in class about PE ratios, why is a low PE ratio favorable? Which stock above is the most favorable according to it's PE ratio?

3. Which stock had the biggest change during the year? Explain.

4. Which stock will pay the highest dividend on 100 shares? Explain.
5. What does the Net Chg. column tell you about a stock at a glance?
6. What stock would you invest in from the list above? Why? If you are unsure, what other information would you like to know before investing and why?



Definitions

Following is a list of common words used in trading, reading, and working with the stock market:

- **Div (dividend):** The amount of money paid quarterly by the companies to stockholders for each share of stock owned.
- **PE (price-to-earnings ratio):** The relationship between the price of the stock and the earnings generated by the company in the current year.
- **hds (hundreds):** The number of stock shares traded, expressed in 100s.
- **High (high):** The highest price for the stock in the trading day.
- **Low (low):** The lowest price for the stock in the trading day.
- **Close (close):** The price of the stock at the time the stock market closes for the day.
- **Chg (Change):** The difference between two successive days' closing price of the stock.
- **pf (Preferred stock):** The owners of this stock are entitled to dividends before common stock holders and are entitled to a share of the proceeds if a business is sold before the common stock holder.
- **Yld (Yield):** Dividend divided by price.

For _____

Date _____

[illegible]

How to Make Millions in the Stock Market

Standard 0000-04

Objective 0404 & 0405

OVERVIEW: The students will learn how the stock market works and some investment strategies.

ACTIVITIES:

- Have the students go to the following web site:
<http://www.econedlink.org/>
- Click on *Here's Your Chance to Make Million in the Stock Market Part 1*
- Have the students complete Part 1, 2, & 3
- Students will learn the following in this activity:

Part 1: In this lesson you learn how efficient markets affect investor's efforts to time the stock market; they also learn why people who invest in stocks should have long-term investment goals. Part I begins by having you read and discuss a story. A small exercise is included which demonstrates that predicting what a stock might do next is not so easy. Parts II and III take you through an interactive historical simulation and gives you a chance to make investment decisions.

Part 2: In Part I of this three-lesson series, the theory of efficient markets was explained. The premise of this theory is that all asset prices reflect their true value based on all currently available information. If an asset or share of stock

was truly undervalued, investors would step in, buy shares, and bid up the stock price until it was accurately valued. The converse is also true: if an asset was overvalued, investors would sell the asset and, in the process, force the price down until it also was accurately priced. In summary, you should have learned that there are no easy "twenty dollar bills" just lying around waiting for you to come by and pick them up. The following lesson may give you an idea of how difficult it is to time the stock market. You will be given the chance to make decisions about investing in stocks at various times over the last 80 years. Even if you know some history of the U.S. stock market, you will likely still find it difficult to choose correctly every time.

Part 3: Part I of this three-part series of lessons explained the theory of efficient markets. Part II explained some of the key statistics that some investors use in making investment decisions. It then took you on through an interactive exercise in which you were given the option of investing in stocks or placing your money in the bank. The time period covered in that exercise went from 1920 thorough the end of World War II. Now you will be given another chance to make millions. If you are able to time the market correctly in this next exercise, you could end up with over \$2 million dollars.

Stock Market Game
Standard 0000-04
Objective 0404 & 0405

OVERVIEW: The students will simulate buying and selling stock including determining gain/loss on the sale of that stock.

ACTIVITIES:

- This activity may not work for every school because of funding. The stock market game does cost money so be sure to check the cost and see if it is feasible for your class.
- Contact Julie Felshaw at the Utah State Office of Education for information regarding the Stock Market Game. A two day training is held every year and sometimes twice a year to help prepare each teacher for presenting and using the stock market game.
- More information can be found at

<http://www.stockmarketgame.com/>

or

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